

# I. Summary of consolidated results

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- Revenue increased by 35% compared to the previous year due to the increase in sales volume.
- Adjusted operating income and other income increased compared to the previous year.

(billions of yen)

	FY2017 1Q-3Q		FY2016 1Q-3Q		change
Revenue	683.9		507.0		35%
Adjusted operating income *1	9.7%	66.0	2.2%	11.0	500%
Operating income	10.0%	68.6	1.6%	8.2	740%
Income before income taxes	10.1%	69.2	1.9%	9.4	635%
Net income attributable to owners of the parent	6.3%	42.9	0.5%	2.5	-
EBIT *2	10.4%	71.3	2.0%	10.1	604%
F X	Rate (YEN/US\$)	111.8	106.6		5.2
	Rate (YEN/EURO)	128.4	117.9		10.5
	Rate (YEN/RMB)	16.7	16.0		0.7

\*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

\*2 "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"

Revenue increased by 89% or 48.6 billion yen in North America year on year, by 74% or 47.2 billion yen in Oceania year on year, and by 98% or 38.8 billion yen in China year on year.

(billions of yen)

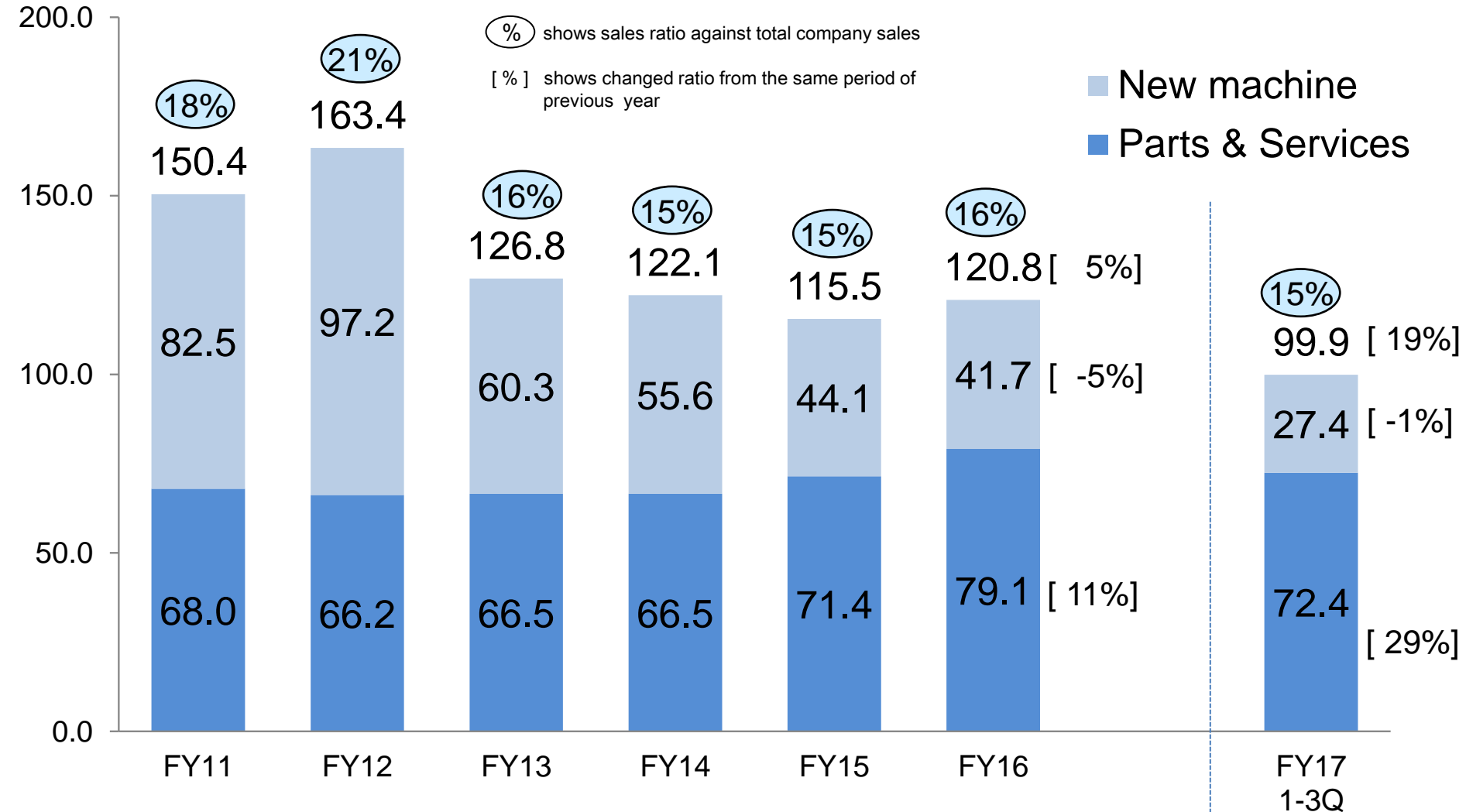
	FY2017 1Q-3Q (ratio)	FY2016 1Q-3Q (ratio)	change	
			amount	%
Japan	142.3 (21%)	158.8 (31%)	-16.4	-10%
Asia	54.9 (8%)	42.3 (8%)	12.6	30%
India	45.6 (7%)	33.9 (7%)	11.6	34%
Oceania	110.6 (16%)	63.4 (13%)	47.2	74%
Europe	71.2 (10%)	58.6 (12%)	12.6	22%
N.America	103.3 (15%)	54.6 (11%)	48.6	89%
L.America	11.7 (2%)	3.4 (1%)	8.3	246%
Russia-CIS	20.0 (3%)	13.4 (3%)	6.5	49%
M.East	11.8 (2%)	14.6 (3%)	-2.8	-19%
Africa	34.2 (5%)	24.4 (5%)	9.8	40%
China	78.3 (11%)	39.5 (8%)	38.8	98%
Total	683.9	507.0	176.9	35%

Overseas revenue  
ratio 79%

Overseas revenue  
ratio 69%

Revenue of new machines has decreased by 1% year on year due to the production interruption of below 150 tons dump trucks from this fiscal year, however sales of parts and services have increased by 29% year on year.

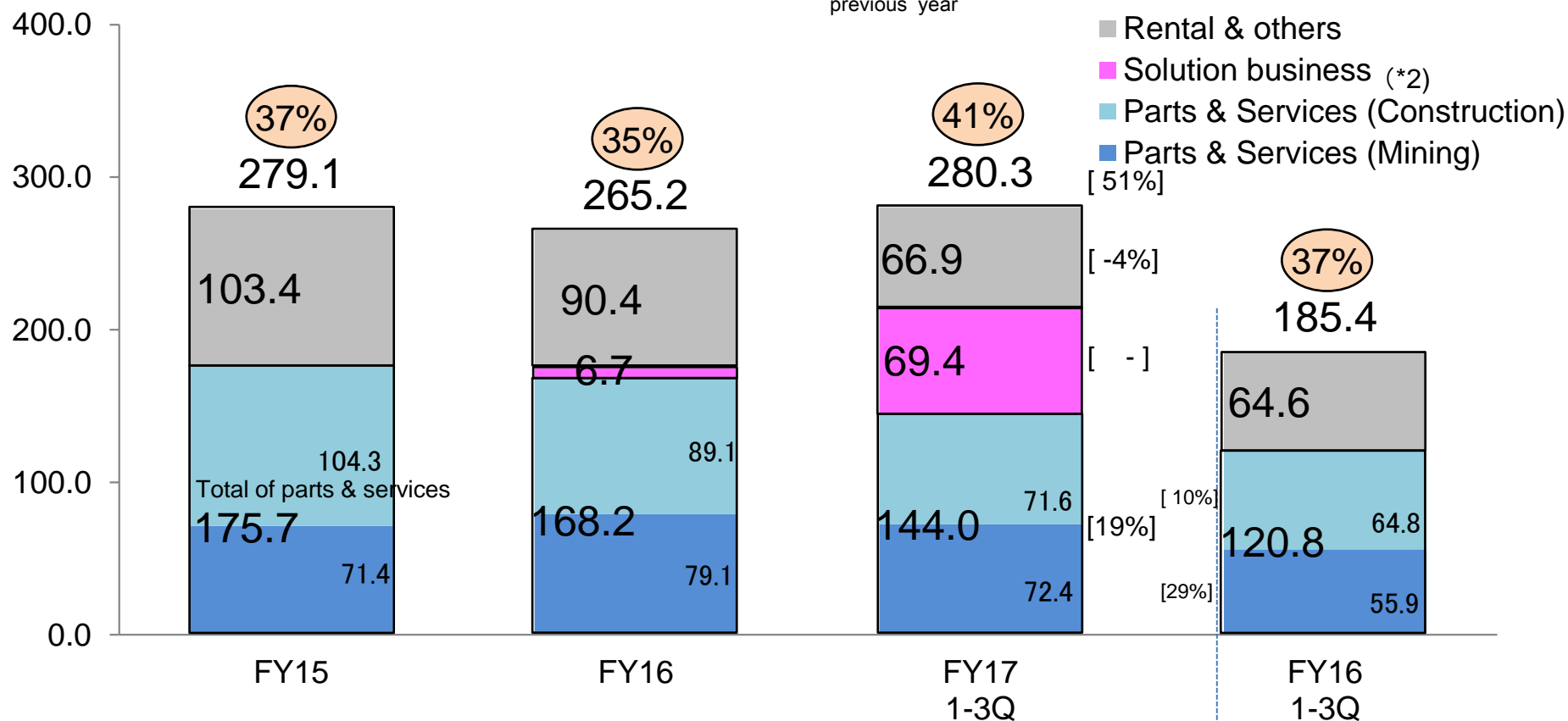
(billions of yen)



Sales of value chain business have dramatically increased by 94.9 billion yen year on year due to the increase in the sales of parts and service and solution business, which is composed of H-E Parts Group companies and Bradken Group companies. Also, the ratio in total sales has increased by 4%.

(billions of yen)

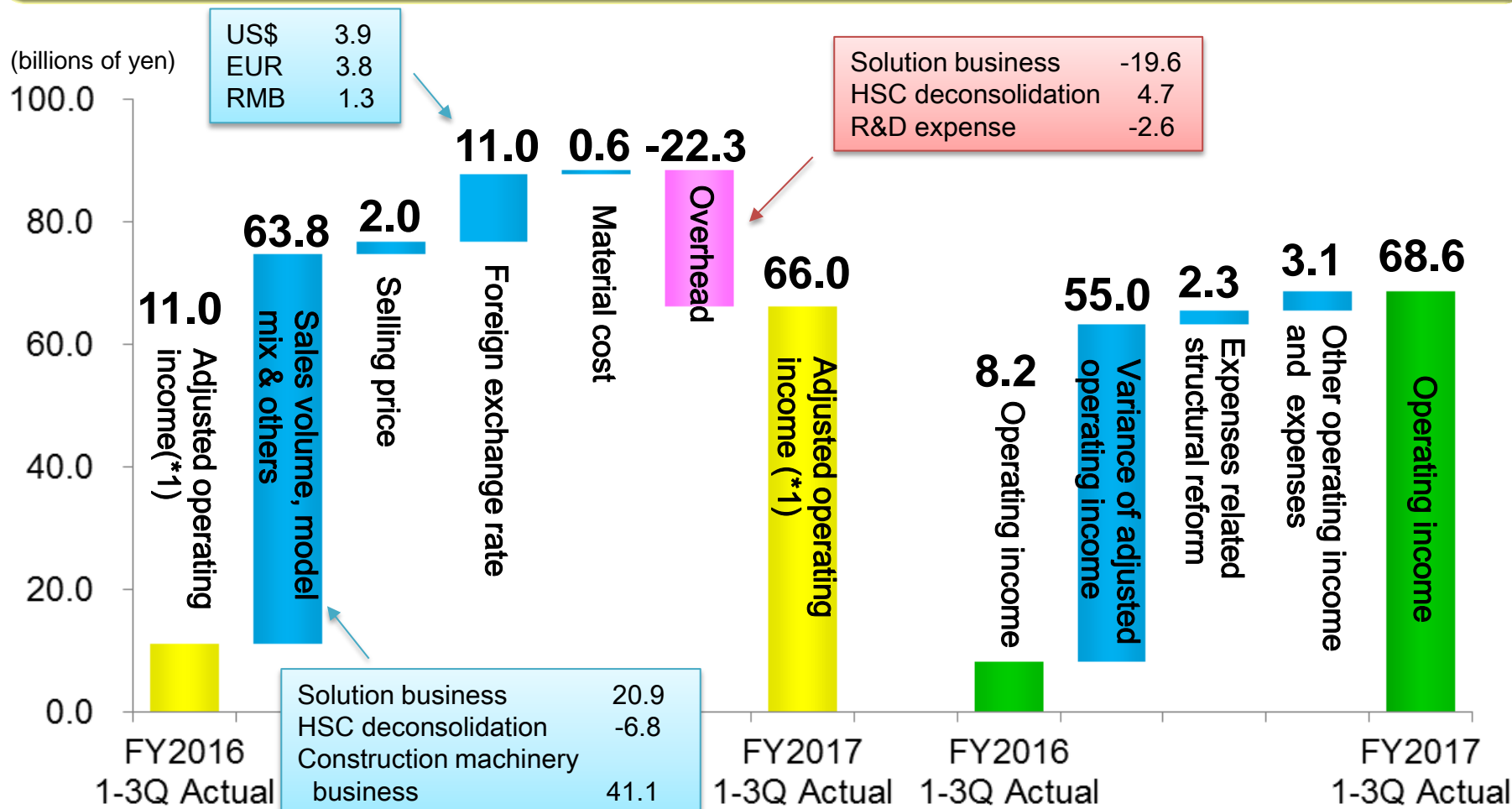
% shows sales ratio against total company sales  
[ % ] shows changed ratio from the same period of previous year



(\*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(\*2) Solution business: Business segment consists of parts manufacturing, sales of parts and services that are not included in construction machinery business.

Adjusted operating income has increased by 55.0 billion yen year on year due to the increased sales volume of construction machines, the incorporation of the solution business and favorable foreign exchange rates despite the HSC deconsolidation.



\*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

Net income attributable to owners of the parent increased by 40.4 billion yen to 42.9 billion yen compared to the previous year due to the increase in operating income and share of profits of investments accounted for using the equity method.

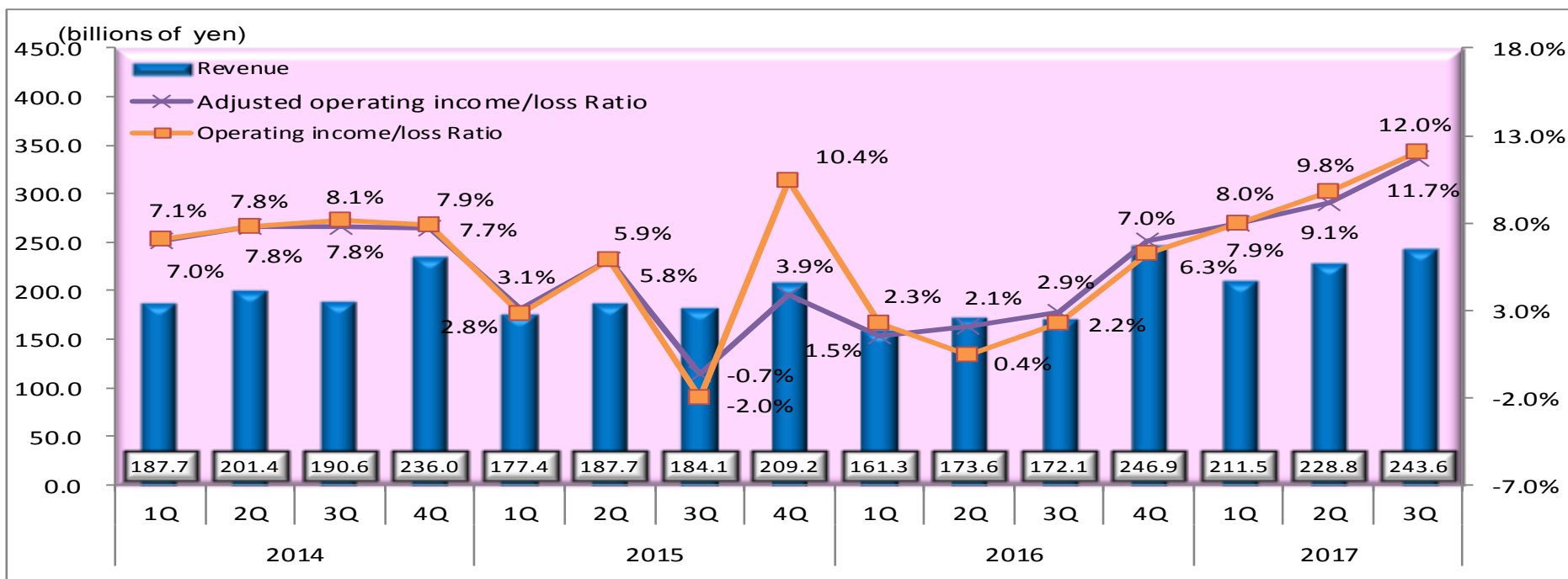
(billions of yen)

	FY2017 1Q-3Q		FY2016 1Q-3Q		change	
					amount	%
Revenue		683.9		507.0	176.9	35%
Cost of Sales	(72.5%)	496.2	(77.1%)	390.7	105.5	27%
SGA expenses	(17.8%)	121.7	(20.8%)	105.3	16.4	16%
Adjusted operating income *1	(9.7%)	66.0	(2.2%)	11.0	55.0	500%
Other Income/expenses		2.6		-2.8	5.4	-
Operating income	(10.0%)	68.6	(1.6%)	8.2	60.4	740%
Financial income/expenses		-2.3		1.2	-3.5	-
Share of profits of investments accounted for using the equity method		2.9		0.0	2.8	-
Income before income taxes	(10.1%)	69.2	(1.9%)	9.4	59.8	635%
Income taxes		20.2		4.6	15.7	344%
Net income	(7.2%)	49.0	(1.0%)	4.9	44.1	909%
Net income attributable to owners of the parent	(6.3%)	42.9	(0.5%)	2.5	40.4	-
Comprehensive income		66.4		1.3	65.1	-

\*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

(billions of yen) of yen)

	2014				2015				2016				2017		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Revenue	187.7	201.4	190.6	236.0	177.4	187.7	184.1	209.2	161.3	173.6	172.1	246.9	211.5	228.8	243.6
Adjusted operating income/loss	13.1	15.7	14.8	18.3	5.5	11.0	-1.2	8.1	2.4	3.6	5.0	17.3	16.8	20.9	28.4
Operating income/loss	13.2	15.8	15.5	18.6	4.9	11.1	-3.8	21.8	3.7	0.7	3.8	15.5	16.9	22.4	29.3



FX rate	2014				2015				2016				2017		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Rate (YEN/US\$)	102.2	103.9	114.5	119.1	121.4	122.2	121.5	115.5	108.1	102.4	109.3	113.6	111.1	111.0	113.0
Rate (YEN/EURO)	140.1	137.8	143.1	134.2	134.2	136.0	133.0	127.2	122.0	114.3	117.8	121.1	122.2	130.4	133.0
Rate (YEN/RMB)	16.4	16.9	16.8	19.1	19.6	19.3	18.9	17.6	16.5	15.4	16.0	16.6	16.2	16.6	17.1

- Days of trade receivables on hand including non-current were reduced by 10 days to 94 days compared to the previous fiscal year-end.
- Days of inventories on hand were reduced by 5 days to 107 days compared to the previous fiscal year-end.

(billions of yen)

	(A) FY17-3Q	(B) Mar '2017	(C) FY16-3Q	(A)-(B) change		(D) FY17-3Q	(E) Mar '2017	(F) FY16-3Q	(D)-(E) change
Cash and cash equivalents	82.6	65.5	81.4	17.1	Trade and other payables	265.5	227.3	209.1	38.2
Trade receivables	200.2	184.5	145.4	15.7	Bonds and borrowings	262.0	248.7	210.9	13.3
Inventories	273.7	232.4	252.4	41.4	Total current liabilities	602.4	549.2	483.7	53.2
Total current assets	609.1	527.0	548.9	82.1	(Equity attributable to owners of the parent ratio)	(40.4%)	(40.0%)	(42.1%)	(0.4%)
Total non-current assets	499.3	472.6	383.7	26.7	Total equity	506.0	450.4	448.9	55.6
Total assets	1,108.4	999.6	932.6	108.8	Total liabilities and equity	1,108.4	999.6	932.6	108.8

Trade receivables incl. non-current	238.7	215.7	171.6	22.9
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## Inventories by products

Unit	69.2	49.8	77.3	19.4
Parts	93.9	86.3	91.3	7.6
Raw materials, WIP and etc	110.6	96.3	83.7	14.3
Total inventories	273.7	232.4	252.4	41.4

On hand days(divided by net sales) ( Days )

Trade receivables	94	104	87	-10
Inventories	107	112	129	-5
Trade payables	69	64	65	5
Net working capital	131	151	149	-20

	(23.6%)	(24.9%)	(22.6%)	(-1.2%)
Interest-bearing debt	262.0	248.7	210.9	13.3
Cash and Cash equivalents	82.6	65.5	81.4	17.1
Interest-bearing debt, net	(16.2%)	(18.3%)	(13.9%)	(-2.1%)
Debt	179.4	183.2	129.5	-3.8

Net D/E Ratio	0.40	0.46	0.33	-0.06
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\*The balance as of the end of FY2016 announced in April 2017 is before the reclassification to specify the impact of purchase price allocation.

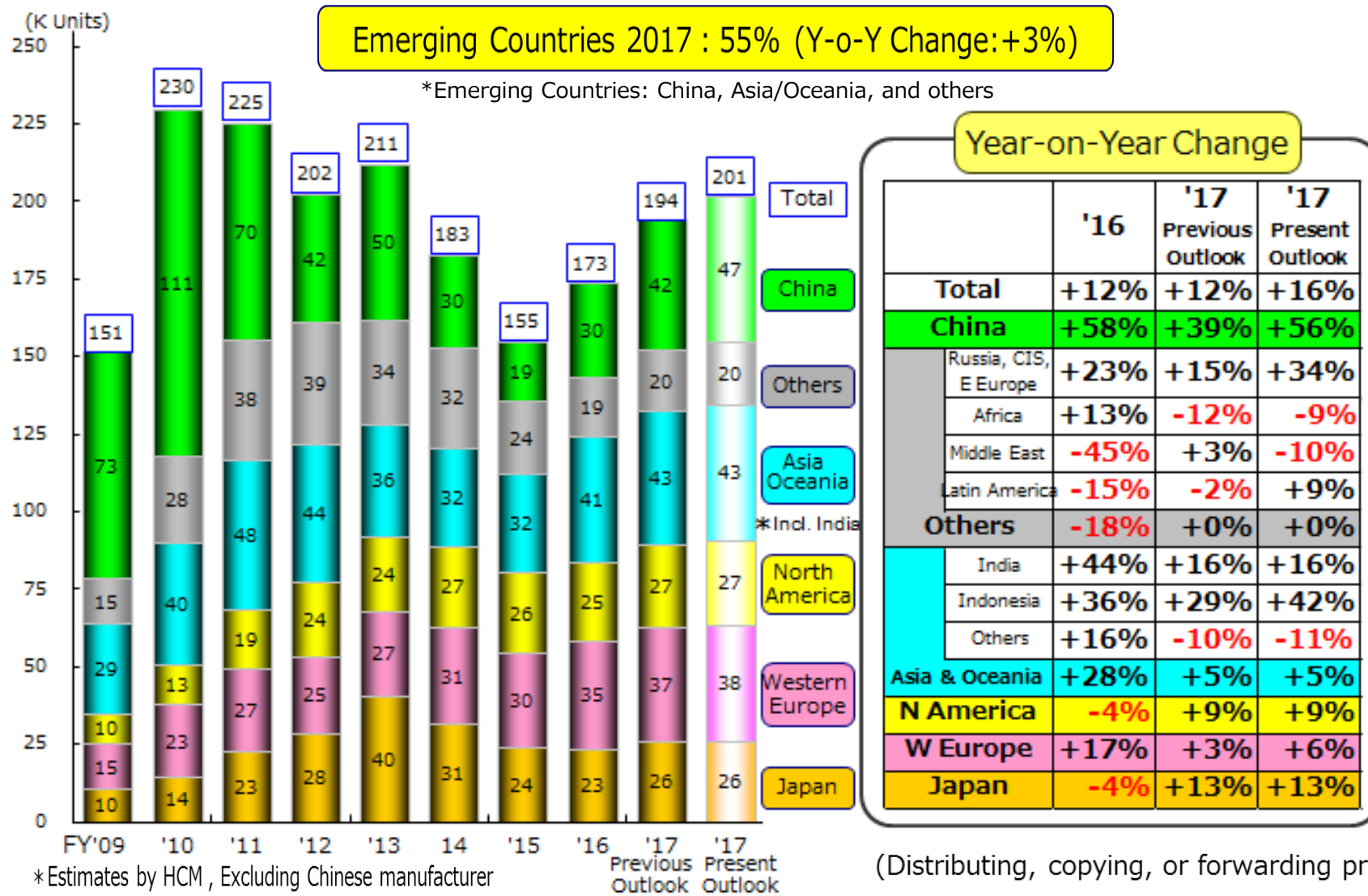


- Net cash provided by (used in) operating activities was a positive 47.3 billion yen due to the increase in net income despite the increase in working capital arising from the increase of revenue.
- Free cash flow was a positive 17.9 billion yen despite 17.6 billion yen of acquisition shares to acquire 100% ownership of the Bradken Group.

(billions of yen)

	FY2017 1Q-3Q		FY2016 1Q-3Q		change	
Net income		49.0		4.9		44.1
Depreciation and amortization	77.1	28.1	30.1	25.3	47.0	2.9
(Increase)decrease in trade/lease receivables		-11.3		32.7		-44.0
(Increase)decrease in inventories		-33.1		-3.5		-29.6
Increase(decrease) in trade payables	-9.7	34.7	49.6	20.4	-59.2	14.3
Others, net		-20.1		-14.8		-5.2
Net cash provided by (used in) operating activities		47.3		64.9		-17.5
Cash flow margin for operating activities		6.9%		12.8%		-5.9%
Net cash provided by (used in) investing activities		-29.4		-31.6		2.2
Free cash flows		17.9		33.3		-15.4
Net cash provided by (used in) financing activities		-3.7		-31.0		27.3

HCM expects the FY2017 global demand for hydraulic excavators to grow by 16% to 201K units year on year due to an increase in all regions except Middle East and Africa.



HCM forecasts a FY2017 income statement with an upward-corrected revenue by 4% and adjusted operating income of 20.0 billion yen against the previous forecast due to increased sales volume of 3Q and reflecting the impact of the depreciating trend of the Japanese yen on foreign exchange rates.

(billions of yen)

		FY2017 Forecast		FY2016 Actual	change	
					amount	%
Revenue		(890.0)	930.0	753.9	176.1	23%
Adjusted operating income *1		(6.4%) (57.0)	(8.3%) 77.0	(3.7%) 28.3	(4.5%) 48.7	172%
Operating income		(6.2%) (55.0)	(8.3%) 77.0	(3.1%) 23.6	(5.1%) 53.4	226%
Income before income taxes		(5.7%) (51.0)	(8.3%) 77.0	(3.2%) 23.9	(5.1%) 53.1	223%
Net income attributable to owners of the parent		(3.4%) (30.0)	(4.9%) 46.0	(1.1%) 8.0	(3.9%) 38.0	473%
EBIT *2		(54.3)	80.0	24.7	55.3	
FY rate	Rate (YEN/US\$)	(107.9)	110.0	108.7	1.3	
	Rate (YEN/EURO)	(118.0)	122.8	118.9	3.9	
	Rate (YEN/RMB)	(15.6)	16.1	16.2	-0.2	
Cash dividend per share (yen) *3		to be determined		12	-	

note : ( ) shows previous forecast as of October 2017□

FX sensitivity of adjusted operating income (4Q) (Impact by 1 yen for US\$ and EURO, 0.1 yen for RMB depreciation)

Currency	FX rate	FX sensitivity	
US\$ (1.0)	105.0	(0.6)	0.3
EURO (1.0)	110.0	(0.4)	0.2
RMB (0.1)	15.0	(0.1)	0.1

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\*2 "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"

\*3 "Cash dividend per share": Under the company's policy for stable distribution of retained earnings linked to consolidated performance, the company aims for its consolidated dividend payout ratio to be around 30% or more.

- We booked 4.8 billion yen of the amortization cost resulted from PPA for H-E Parts and Bradken.
- HCM forecasts the FY2017 adjusted operating income ratio of solution business to be 2.5% including 6.0 billion yen of amortization cost resulted from PPA. (8.9% excluding the amortization cost)

(billions of yen)

< Actual > FY2017 1Q-3Q	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	614.5	69.6	-0.2	683.9
Adjusted operating income	10.5% 64.7	8.8% 6.1	-	10.4% 70.8
Amortization of PPA		-4.8		-4.8
Adjusted operating income ( After amortization of PPA )	10.5% 64.7	1.9% 1.3	-	9.7% 66.0

(billions of yen)

< Forecast > FY2017	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	837.4	92.8	-0.2	930.0
Adjusted operating income	8.9% 74.7	8.9% 8.3	-	8.9% 83.0
Amortization of PPA		-6.0		-6.0
Adjusted operating income ( After amortization of PPA )	8.9% 74.7	2.5% 2.3	-	8.3% 77.0

PPA = Purchase Price Allocation

Note(\*1): Adjustments represent eliminations of intersegment transactions, and amounts of companies that do not belong to any operation segment.

# Sales forecast by geographic region (consolidated) (13)

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Compared with the previous fiscal year, HCM forecasts an increase of 23% in total revenues for FY2017 due to an increase in sales volume based on improved demand and considering the impact of consolidation of H-E Parts Group companies and Bradken Group companies, despite the decrease in revenue in Japan and Middle East.

(billions of yen)

	FY2017 Forecast		FY2016 Actual		change	
					amount	%
Japan	196.9	(21%)	226.0	(30%)	-29.1	-13%
Asia	72.7	(8%)	62.2	(8%)	10.4	17%
India	60.5	(7%)	48.6	(6%)	12.0	25%
Oceania	150.6	(16%)	96.4	(13%)	54.2	56%
Europe	98.8	(11%)	87.6	(12%)	11.3	13%
N.America	136.7	(15%)	78.5	(10%)	58.2	74%
L.America	16.1	(2%)	7.0	(1%)	9.1	129%
Russia-CIS	24.8	(3%)	19.5	(3%)	5.3	27%
M.East	21.8	(2%)	22.7	(3%)	-0.9	-4%
Africa	42.9	(5%)	34.1	(5%)	8.8	26%
China	108.3	(12%)	71.5	(9%)	36.8	52%
Total	930.0	(100%)	753.9	(100%)	176.1	23%

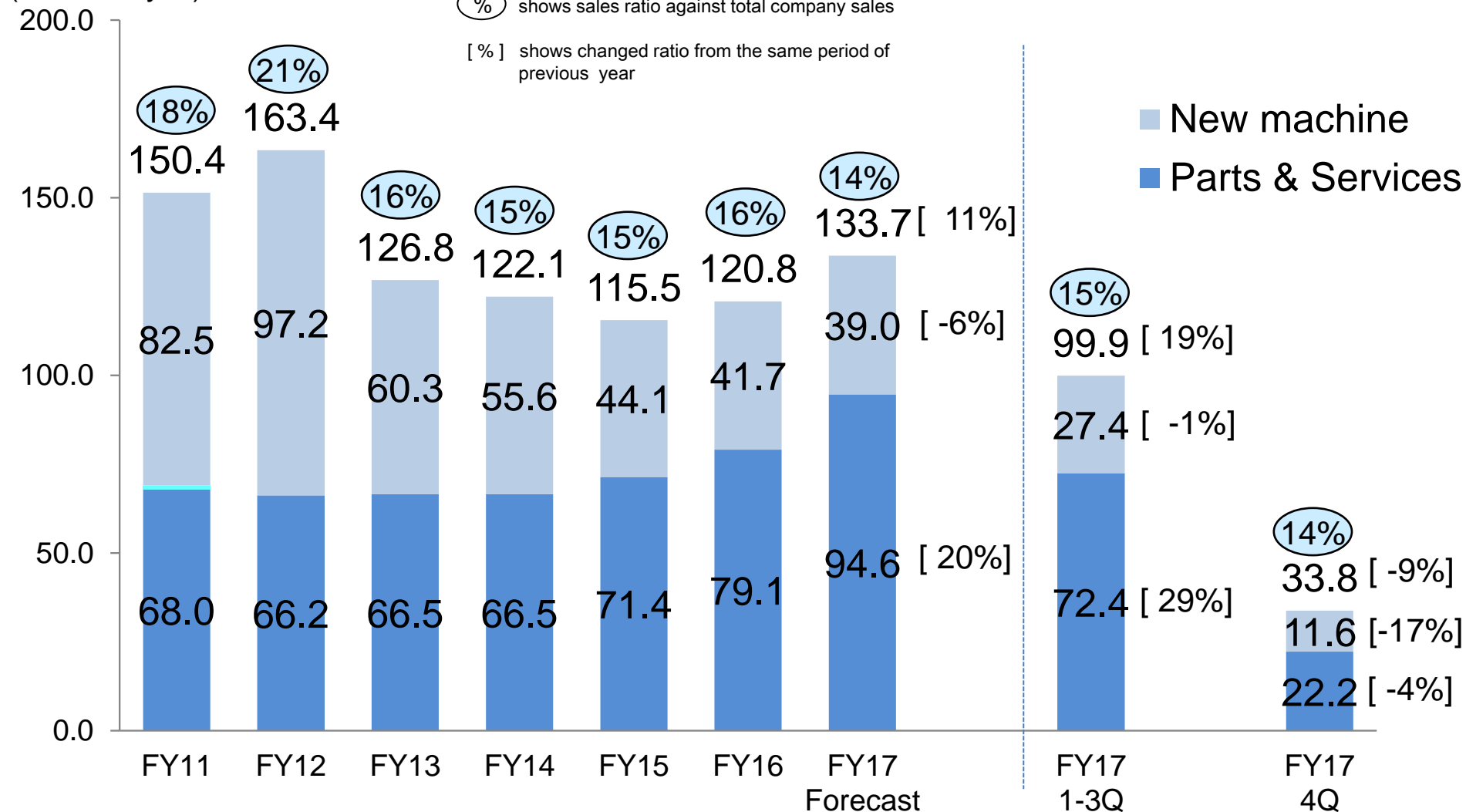
Overseas revenue ratio

79%

70%

HCM forecasts a decrease in FY2017 sales of new machines by 6% compared to the previous year due to the production interruption of below 150 tons dump trucks from this fiscal year, however HCM forecasts that the sales of parts and services will increase by 20% compared to the previous year.

(billions of yen)

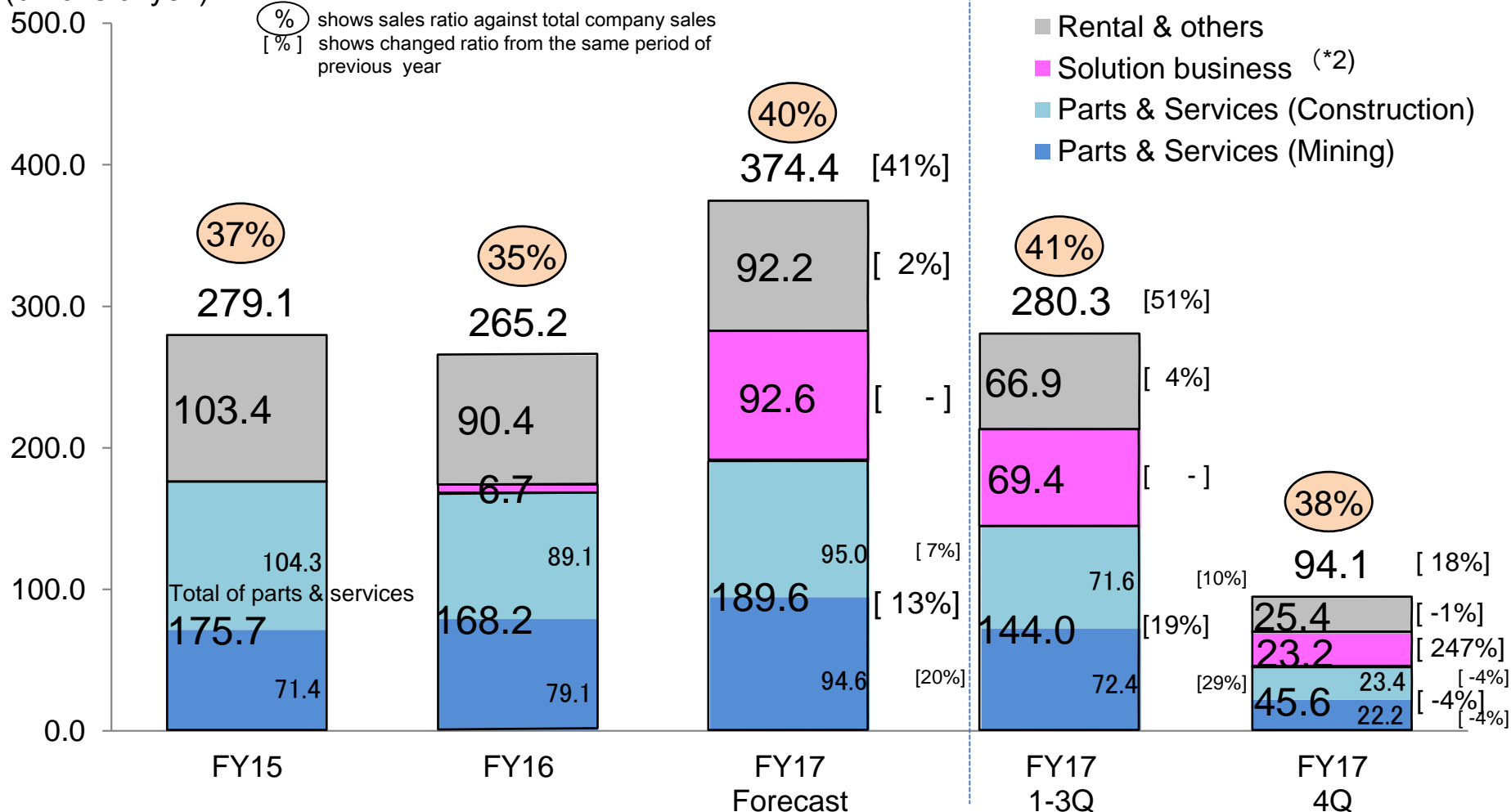


HCM forecasts a large increase in FY2017 sales of value chain business by 41% (109.2 billion yen ) compared to the previous year due to the increase in the sales of parts and service and solution business due to acquisition of H-E Parts Group companies and Bradken Group companies

(billions of yen)

(%) shows sales ratio against total company sales  
[ % ] shows changed ratio from the same period of previous year

■ Rental & others  
■ Solution business <sup>(\*)2)</sup>  
■ Parts & Services (Construction)  
■ Parts & Services (Mining)



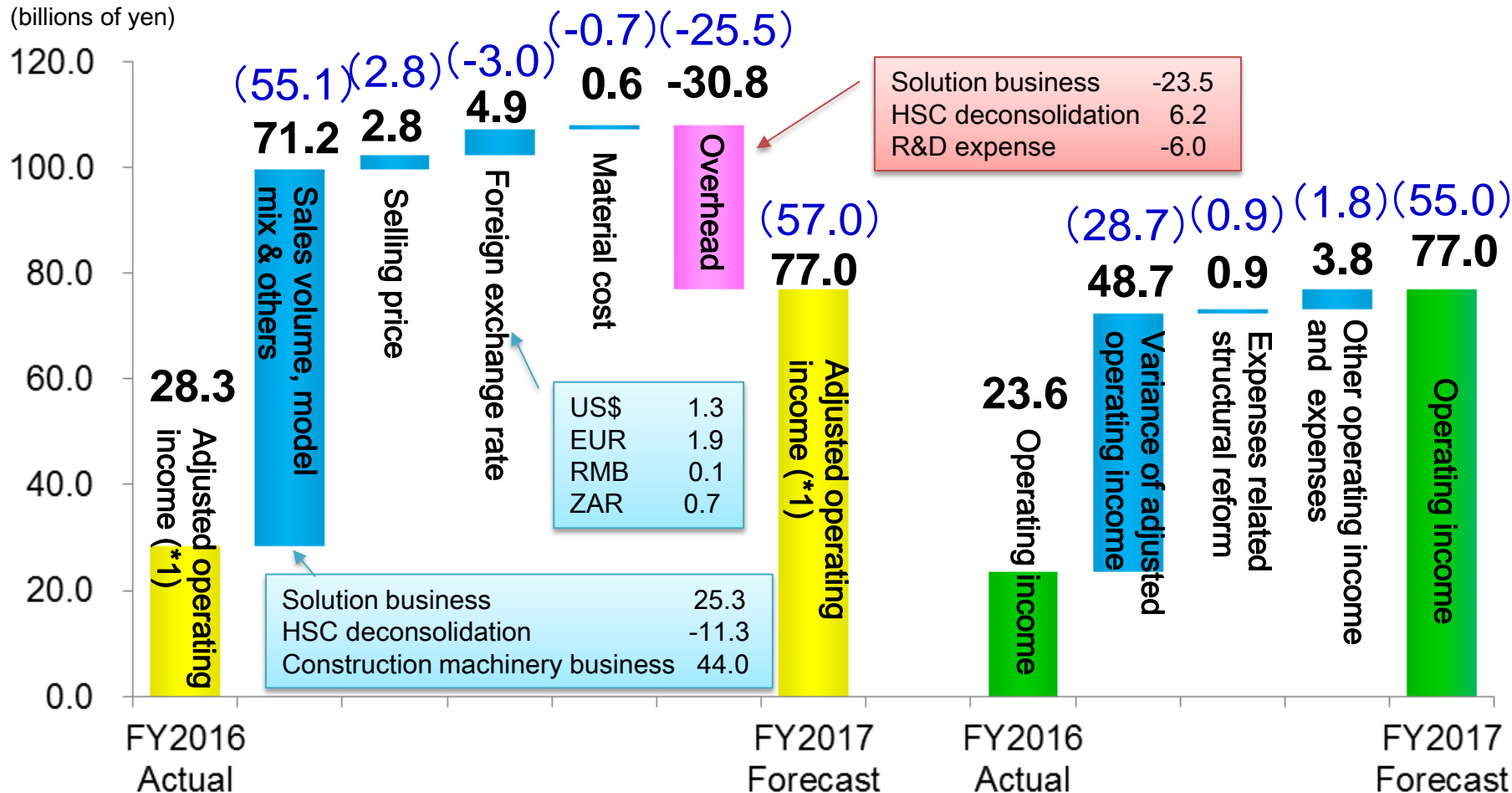
(\*)1) Value chain: Total of Parts & Service, solution business, rental etc. other than new machine sales.

(\*)2) Solution business: Business segment consists of parts manufacturing, sales of parts and services that are not included in construction machinery business.

HCM forecasts FY2017 adjusted operating income to significantly increase by 48.7 billion yen compared to the previous year due to the positive influence of depreciation of the Japanese yen and increase in sales volume of construction machines, as well as the consolidation of solution business, despite the HSC deconsolidation.

note : ( ) shows previous forecast as of Oct. 2017

(billions of yen)



\*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.



# <Appendix 1> Detail of mining revenue

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(billions of yen)

		FY16 Actual			FY17 Forecast			Change from FY16		
		1-3Q	4Q	Year	1-3Q	4Q	Year	1-3Q	4Q	Year
America	Excavator	7.8	2.3	10.1	10.6	2.6	13.2	2.8	0.3	3.1
	Dump Truck	3.9	2.1	6.0	5.8	1.7	7.5	1.9	-0.4	1.5
	Total	11.7	4.4	16.1	16.5	4.3	20.7	4.7	-0.1	4.6
Europe, Africa and Middle East	Excavator	10.2	5.1	15.3	13.4	3.3	16.8	3.3	-1.8	1.5
	Dump Truck	14.5	4.1	18.6	12.4	3.5	15.9	-2.1	-0.7	-2.7
	Total	24.7	9.3	33.9	25.8	6.8	32.7	1.2	-2.5	-1.3
Asia & Oceania	Excavator	31.7	15.4	47.1	41.9	15.4	57.3	10.2	0.0	10.1
	Dump Truck	13.6	7.6	21.1	14.3	6.2	20.4	0.7	-1.4	-0.7
	Total	45.3	23.0	68.3	56.2	21.5	77.7	10.9	-1.4	9.4
China	Excavator	0.8	0.4	1.2	1.0	1.0	2.0	0.2	0.6	0.8
	Dump Truck	0.1	0.1	0.2	0.1	0.1	0.1	-0.1	0.0	-0.1
	Total	0.9	0.5	1.4	1.1	1.1	2.1	0.2	0.6	0.8
Japan	Excavator	1.1	0.1	1.1	0.3	0.1	0.4	-0.7	0.0	-0.7
	Dump Truck	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total	1.1	0.1	1.1	0.3	0.1	0.4	-0.7	0.0	-0.7
Total	Excavator	51.5	23.3	74.8	67.2	22.4	89.7	15.7	-0.9	14.9
	Dump Truck	32.1	13.9	46.0	32.6	11.4	44.0	0.5	-2.5	-2.0
	Total	83.6	37.2	120.8	99.9	33.8	133.7	16.2	-3.4	12.8

## Impact of settlements by solution business of purchase price allocation (PPA).

A forecasted impact on the consolidated financial results from the PPA for the acquired assets and liabilities of H-E Parts and Bradken acquired in FY2016 is as follows.

## 1. Prospect of depreciation (amortization) by PPA.

(billions of yen)

Assets		Term of depreciation(amortization)							Total
			FY2017		FY2018	FY2019	FY2020	After FY2021 ( Including the foreign currency translation adjustments )	
			1Q-3Q ( Actual )						
1. Inventories		Depreciation in one year	3.1	3.1				----	3.1
2. Tangible assets		Non-depreciable/ Average of depreciation is 15years	0	0.5	0.3	0.3	0.3	----	5.7
3. Intangible assets		One-time amortization/ Average of amortization is 20years	1.7	(※2) 2.4	0.9	0.9	0.9	----	24.2
Total depreciation(amortization)			4.8	6.0	1.2	1.2	1.2	----	33.0

( ※1 ) The amount for the Bradken Group is our estimation since a portion of the PPA has not been completed by the end of the third quarter.

( ※2 ) For the H-E Parts Group, the amortization expense of FY2017 is the total for the period from January 2017 through March 2018 (15 months) since the company recognizes it retroactively to the acquisition date.

## 2. Remeasurements of goodwill by PPA.

(billions of yen)

<b>Goodwill on Consolidation ( Before PPA )</b>	<b>34.6</b>
Goodwill of Individual	14.6
<b>Total Goodwill ( Before PPA )</b>	<b>49.2</b>
Increased assets	-33.0
Deferred tax liability, etc.	12.6
<b>Goodwill on Consolidation ( After PPA )</b>	<b>28.8</b>

### [Cautionary Statement]

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

# END

## For further inquiries:

 **Hitachi Construction Machinery Co., Ltd**

**Public Relations Strategy office**

**TEL : 03-5826-8152**

**FAX : 03-5826-8209**

